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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 000540

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E.O. 12958: DECL: 05/20/2019
TAGS: [EAIR](#) [EFIN](#) [ETRD](#) [PREL](#) [PGOV](#) [ECON](#) [BG](#)
SUBJECT: BOEING SALE TO BIMAN BANGLADESH ON TRACK, WAITING
FOR SOVEREIGN GUARANTEE

REF: A. 08 DHAKA 474
[1](#)B. 08 DHAKA 407

Classified By: Ambassador James F. Moriarty, Reason 1.4. (b) and (d)

SUMMARY

[1](#)1. (C) The Government of Bangladesh continues to support the purchase of eight Boeing aircraft by the national airlines, Biman Bangladesh Airlines, under a deal signed by the 2007-2008 Caretaker Government. Civil Aviation and Tourism Minister G.M. Quader recently told the Ambassador and Boeing's regional sales representative that members of the GOB Cabinet would discuss internally providing a sovereign guarantee for the deal, which at \$2.1 billion would be the largest capital goods purchase in Bangladesh's history. According to Boeing, Citibank committed to financing the purchase, as long as the GOB provided a sovereign guarantee that would permit Citibank to extend preferential financing for the deal with the support of U.S. ExIm Bank.

DELIVERY TIMELINE CAN BE ACCELERATED

[1](#)2. (C) During a meeting the Ambassador attended in his advocacy role for U.S. business, Boeing's regional sales representative, Miguel Santos, told the Ambassador and Bangladesh's Civil Aviation and Tourism Minister, G.M. Quader, Boeing could deliver two of the eight aircraft to Biman Bangladesh Airlines two years earlier than anticipated, as a result of changes in Boeing's production schedule. Under this accelerated timeline, Boeing would provide two 777 airplanes to Biman in 2011, two more in 2013, and four 787 aircraft in 2015. According to Santos, this accelerated timeline would more quickly boost the viability of the ailing airline by allowing Biman to retire outdated aircraft and shorten Biman's leases of other aircraft meant to fill the gap until the new Boeings arrive. The accelerated timeline also could reduce the final cost of the deal, currently projected to be \$2.1 billion.

[1](#)3. (C) Santos also reported that Boeing had identified Citibank to help finance the deal. In order for Citibank to provide preferential financing terms for the deal through a loan guarantee from U.S. ExIm Bank, the Government of Bangladesh would need to provide a sovereign guarantee. The first payment, a pre-delivery payment, of approximately \$250 million would be due in July.

NEW GOVERNMENT BEHIND THE DEAL

¶4. (C) Minister Quader said the GOB was committed to continuing this venture initiated by the previous government, adding that the GOB would consider providing a sovereign guarantee. Santos noted that the GOB would not be on the hook to guarantee the entire sum all at once. Rather, the GOB would have to provide a sovereign guarantee for portions of the deal at a time, according to Santos. Minister Quader welcomed this news and said it would make the provision of the sovereign guarantee more palatable to GOB leaders who are hesitant to approve a sovereign guarantee for the entire \$2.1 billion amount at one time.

¶5. (C) Santos also pledged to provide a public testimonial about the GOB's fairness and transparency in dealing with Boeing. Santos said Boeing would be willing to attest to organizations like Transparency International that the Boeing-Biman deal was above board in a country famous for its rampant corruption. Quader welcomed this proposal and noted that the plain-dealing of Boeing and the United States' strict rules regarding corruption gave the new Awami League government confidence that the deal brokered by the previous government was a fair and transparent one.

CITIBANK BANGLADESH COMMENTS ON SOVEREIGN GUARANTEE

¶6. (C) The head of Citibank Bangladesh on May 20 clarified for EconOff the nature of the sovereign guarantee the GOB would need to provide for the Boeing deal. While the GOB would not have the entire \$2.1 billion on its books from now until 2015, there would be a period during the timeline when

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the GOB would be obligated to guarantee the entire amount. The Citibank Bangladesh chief noted wryly that this period could coincide with the end of the Awami League government's tenure (2012-2013). While Citibank officials were looking forward to supporting the deal, they noted the sovereign guarantee issue had to be resolved quickly, in time for the first pre-delivery payment deadline in July.

COMMENT

¶7. (C) Thus far, the new government remains committed to the deal, despite occasional criticisms from opposition parliamentarians and the public. Prime Minister Sheikh Hasina's public comments confirm her desire to reinvigorate Biman, and new aircraft are critical to achieving this goal. Underscoring the fact that Biman's fleet is old, Boeing's Santos told Minister Quader that Biman was the only airline in the world still flying DC-10 airplanes. In addition to securing the sovereign guarantee, another question mark is the vacancy at the helm of Biman. Biman's managing director resigned in April, and the GOB has yet to name his replacement. The word on the street is that the GOB wants a dynamic individual to lead Biman. Biman needs a dynamic and honest leader to make sure the Boeing deal stays on track. We will continue to watch this deal, the largest capital goods purchase in Bangladesh's history, every step of the way.

MORIARTY